

**PLANNING AND DEVELOPMENT DISTRICT III**

**FINANCIAL REPORT  
(Audited)**

**DECEMBER 31, 2013**

## PLANNING AND DEVELOPMENT DISTRICT III

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Planning and Development District III  
Yankton, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of **PLANNING AND DEVELOPMENT DISTRICT III**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of Planning and Development District III, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Planning and Development District III's basic financial statements. The Schedule of Indirect Costs – General Government is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and is also not a required part of the financial statements.

The Schedule of Indirect Costs – General Government and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Indirect Costs – General Government and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014 on our consideration of Planning and Development District III's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Planning and Development District III's internal control over financial reporting and compliance.

*Wohlberg Ritzman + Co., LLC*

Yankton, South Dakota  
June 16, 2014

## **Management's Discussion and Analysis Planning & Development District III For the Year Ended December 31, 2013**

This section of Planning & Development District III's (District III's) annual financial report presents our discussion and analysis of District III's financial performance during the fiscal year ended on December 31, 2013. This discussion and analysis considers only the Primary Government's financial activity. Please read it in conjunction with District III's financial statements.

### **Discussion of the basic financial statements**

This annual report consists of two parts:

- 1. Management's discussion and analysis (this section)**
- 2. Basic financial statements**, including related notes that explain some of the information in the financial statements and provide more detailed data

The basic financial statements include two kinds of statements:

- a) The *government-wide financial statements* (Statement of Net Assets and the Statement of Activities) provide information about the activities of District III as a whole and present a longer-term view of District III's finances.

These statements report information about District III as a whole and about its activities that help answer the question, "Is District III as a whole better off or worse as a result of the year's activities?" These statements include all assets and liabilities using methods of accounting similar to those used by most private-sector companies.

These statements report District III's net assets and changes in them. District III's net assets, the difference between assets (what District III owns) and liabilities (what District III owes) is one way to measure District III's financial health. Over time, increases or decreases in District III's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, such as continuing county and city government membership, also need to be considered to assess the overall health of District III.

The government-wide financial statements of District III are reported in two categories:

1. Governmental Activities – This category includes most of District III's basic services.
2. Component Units – This category includes Areawide Business Council, Inc (a revolving loan fund) and Prairieland Housing Development (a

housing program). Although these are legally separate entities, District III has close ties to these entities.

- b) The *fund financial statements* (Balance Sheet-Governmental Funds; Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets; Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds; and Reconciliation of Statement of the Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report District III's operations in more detail than the government-wide statements.

The fund financial statements of District III are reported in two categories:

1. General Fund – This category includes most of District III's basic services.
2. Special Revenue Fund – This category includes money to be used for economic development activities.

### Condensed Financial Information

Table A-1 Condensed Statement of Net Position		
	Governmental Activities	
	2012	2013
Current and Other Assets	\$ 1,669,958	\$ 1,625,929
Capital Assets	194,527	173,164
Total Assets	1,864,485	1,799,093
Other Liabilities	91,025	66,299
Total Liabilities	91,025	66,299
Invested in Capital Assets	194,527	173,164
Restricted	369,704	29,704
Unrestricted	1,209,229	1,529,926
Total Net Position	\$ 1,773,460	\$ 1,732,794
Beginning Net Position	1,696,290	1,773,460
Change in Net Position	\$ 77,170	\$ (40,666)
Percentage Change	5%	-2%

Table A-2 Condensed Statement of Net Position		
	Governmental Activities	
	2012	2013
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 719,852	\$ 546,726
Operating Grants	861,428	459,780
General Revenues		
Investment Earnings	2,697	2,510
Total Revenues	1,583,977	1,009,016
<b>Expenses</b>		
General Government	1,506,807	1,049,682
Economic Development	-	-
Total Expenses	1,506,807	1,049,682
Change in Net Position	77,170	(40,666)
Beginning Net Position	1,696,290	1,773,460
Ending Net Position	\$ 1,773,460	\$ 1,732,794



## **Analysis of Overall Financial Position**

### *Governmental Activities:*

District III's overall financial position declined slightly, with a 2% decrease in net assets.

The revenue from ordinary revenue-producing projects decreased by 17% or about \$206,000, while ordinary operating expenses decreased by 8% or about \$88,000.

Revenue from one-time sources decreased by \$368,000, while expenses related to those one-time revenues also decreased by \$368,000, for a net difference of zero.

The staffing level held constant. Employee experience, institutional history, and contacts with other agencies are important factors in District III's success. Staff continuity, which is vital to District III's financial health, was maintained.

Local government support increase by one county over the prior year, bringing the total membership to 16 counties, 2 tribes, and 59 cities/towns. All local government members maintained their membership in District III for 2013. Dues for 2013 were increased by the change in the Consumer Price Index in 2011, or 3.4%.

The Special Revenue Fund consists of money received in past years from the State of South Dakota and donations from area businesses for the purpose of economic development activities. No expenditures were made from this fund in 2013.

## **Analysis of Balances and Transactions of Individual Funds**

### *Changes in year-end fund balance:*

	<u>2012</u>	<u>2013</u>	<u>Change</u>
General Fund	\$ 1,768,814	\$ 1,728,147	\$ (40,667)
Special Revenue Fund	<u>4,646</u>	<u>4,647</u>	<u>1</u>
Total Net Assets	<u>\$ 1,773,460</u>	<u>\$ 1,732,794</u>	<u>\$ (40,666)</u>

The financial analysis of District III's funds mirrors those highlighted in the analysis of governmental activities presented under Analysis of Overall Financial Position.

\$340,000 of the General Fund is restricted for use in economic development activities.

## **Significant Capital Asset and Long-Term Debt Activity**

	2012	2013
Land	24,189	24,189
Building & Improvements	158,868	147,631
Furniture and Equipment	<u>11,470</u>	<u>1,344</u>
Capital Assets (net)	\$ 194,527	\$ 173,164

District III follows a capital assets policy which expenses all items with a cost of less than \$5,000.

During 2013, no capital assets were purchased.

	Governmental Activities		Total Change	
	2012	2013	Dollar Amount	Percentage Amount
Compensated Absences	\$ 34,750	\$ 37,158	\$ 2,408	6.93%
Total Long-Term Liabilities	\$ 34,750	\$ 37,158	\$ 2,408	6.93%

The long-term liabilities represents annual leave accrued which would be payable to employees upon termination.

District III has no other long-term debt, and no plans for additional facilities or services.

#### **Currently Known Conditions Expected to have a Significant Effect on Next Year's Operations**

The number of counties, Tribes, and towns/cities obtaining/maintaining membership in District III for 2014 will remain the same as for 2013. The total dues for 2014 will increase 2.2%, to correspond with the 2012 increase in the Consumer Price Index.

Overall revenues and expenses for 2014 are expected to increase slightly.

Basic governmental services, such as grant-writing and zoning ordinance consultation, should remain steady.

District III expects to make contributions of about \$3,300 to Prairieland Housing Development to assist in the selling costs of one house.

Staff levels are expected to be maintained at the 2013 level.

#### **Contacting District III's Financial Management**

This financial report is designed to provide a general overview of District III's finances and to demonstrate District III's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Planning & Development District III  
PO Box 687  
Yankton, SD 57078  
(605)665-4408

The component units does not issue separate financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	Primary Government	Total Component Units
<b>Assets</b>		
Cash and cash equivalents	\$ 353,891	\$ 712,284
Certificates of deposit	523,296	935,678
Accounts receivable, less allowance of \$-0-	27,025	-
Due from other governments	269,380	-
Accrued interest receivable	767	12,255
Receivable from component unit	14,960	-
Inventory for resale	-	109,100
Prepaid expenses	17,879	2,044
Deposit	9,704	-
Promise to give, less allowance of \$-0-	340,000	-
Notes receivable, net of allowance for loan losses of \$426,493	64,450	3,471,266
Assets held for others	4,577	63,904
Capital Assets:		
Capital assets, not being depreciated	24,189	-
Capital assets, being depreciated, net	148,975	-
<b>Total Assets</b>	<u>1,799,093</u>	<u>5,306,531</u>
<b>Liabilities</b>		
Accounts payable	14,972	1,384
Payable to primary government	-	14,960
Interest payable	-	3,614
Revenue received in advance:		
Dues	1,592	
Fees for service	8,000	
Rent	-	7,460
Assets held on behalf of others	4,577	63,904
Long-term liabilities:		
Portion due or payable within one year:		
Notes payable	-	277,108
Compensated absences	37,158	-
Portion due or payable after one year:		
Notes payable	-	1,709,738
<b>Total Liabilities</b>	<u>66,299</u>	<u>2,078,168</u>
<b>Net Position</b>		
Net investment in capital assets	173,164	-
Restricted for:		
Insurance deposit	9,704	-
Regional loan fund	340,000	-
Debt covenant	-	109,800
Unrestricted	1,209,926	3,118,033
<b>Total Net Position</b>	<u>\$ 1,732,794</u>	<u>\$ 3,227,833</u>

The accompanying notes are an integral part  
of these financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	Program Revenues			Net Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
Primary government:					
Governmental activities:					
General government	\$ 1,049,682	\$ 546,726	\$ 459,780	\$ (43,176)	
Total Primary Government	<u>\$ 1,049,682</u>	<u>\$ 546,726</u>	<u>\$ 459,780</u>	<u>(43,176)</u>	
 Total Component Units	 <u>\$ 80,088</u>	 <u>\$ 177,340</u>	 <u>\$ 23,487</u>		 <u>\$ 120,739</u>
General revenues:					
Unrestricted investment earnings				2,510	4,358
Miscellaneous general revenues				-	<u>1,822</u>
Total general revenues				<u>2,510</u>	<u>6,180</u>
Change in net position				(40,666)	126,919
Net position, beginning				<u>1,773,460</u>	<u>3,100,914</u>
Net position, ending				<u>\$ 1,732,794</u>	<u>\$ 3,227,833</u>

The accompanying notes are an integral part  
of these financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 349,244	\$ 4,647	\$ 353,891
Certificates of deposits	523,296	-	523,296
Accounts receivable, less allowance of \$-0-	27,025	-	27,025
Due from other governments	269,380	-	269,380
Accrued interest receivable	767	-	767
Due from component unit	14,960	-	14,960
Prepaid expenses	17,879	-	17,879
Deposits	9,704	-	9,704
Promise to give, less allowance of \$-0-	340,000	-	340,000
Note receivable	64,450	-	64,450
Assets held on behalf of others			
Cash	<u>4,577</u>	<u>-</u>	<u>4,577</u>
<b>Total Assets</b>	<u>\$ 1,621,282</u>	<u>\$ 4,647</u>	<u>\$ 1,625,929</u>
<b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 14,972	\$ -	\$ 14,972
Assets held for others	4,577	-	4,577
Revenue received in advance			
Dues	1,592	-	1,592
Fees for service	<u>8,000</u>	<u>-</u>	<u>8,000</u>
<b>Total Liabilities</b>	29,141	-	29,141
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid expenses	29,450	-	29,450
Insurance deposit	9,704	-	9,704
Notes receivable - long-term portion	51,560	-	51,560
Restricted:			
Regional loan fund - promises to give	340,000	-	340,000
Unassigned	<u>1,161,427</u>	<u>4,647</u>	<u>1,166,074</u>
<b>Total Fund Balances</b>	<u>1,592,141</u>	<u>4,647</u>	<u>1,596,788</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,621,282</u>	<u>\$ 4,647</u>	<u>\$ 1,625,929</u>

The accompanying notes are an integral part  
of these financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

Total fund balances for governmental funds \$ 1,596,788

Total net position reported for governmental activities in the  
statement of net position is different because:

Capital assets used in governmental activities are not financial  
resources, therefore are not reported in the funds.

Those assets consist of:

Land	\$ 24,189	
Building and improvements, net of \$45,579		
accumulated depreciation	147,631	
Equipment, net of \$184,099 accumulated depreciation	<u>1,344</u>	173,164

Accrued leave payable is not due and payable in the  
current period and therefore is not reported in the funds.  
Balance at December 31, 2013 is:

Compensated absences	<u>(37,158)</u>
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Total net position of governmental activities	<u>\$ 1,732,794</u>
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The accompanying notes are an integral part  
of these financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Operating Grants and Contracts:			
From federal agencies			
Grants:			
Department of Agriculture	\$ 60,706	\$ -	\$ 60,706
Department of Commerce	56,700	-	56,700
Small Business Administration	65,000	-	65,000
Department of Defense	40,039	-	40,039
Contracts:			
Department of Transportation	66,980	-	66,980
Department of Environmental Protection	64,250	-	64,250
Small Business Administration	919	-	919
State funding	86,733	-	86,733
Local funding	18,453	-	18,453
Charges for Goods and Services:			
Fees for services	202,932	-	202,932
Local dues	286,016	-	286,016
Component unit fees	57,778	-	57,778
General Revenue:			
Interest income	2,509	1	2,510
Total Revenues	<u>1,009,015</u>	<u>1</u>	<u>1,009,016</u>
<b>Expenditures</b>			
General Government:			
Personnel	671,497	-	671,497
Employee benefits and payroll taxes	150,025	-	150,025
Occupancy	25,584	-	25,584
Consulting	59,733	-	59,733
Travel and vehicle	26,885	-	26,885
Equipment	30,689	-	30,689
Materials and supplies	15,759	-	15,759
Professional fees	10,899	-	10,899
Postage	3,976	-	3,976
Insurance	6,823	-	6,823
Miscellaneous	1,853	-	1,853
Advertising	2,188	-	2,188
Grant to subrecipient - component unit	20,000	-	20,000
Total Expenditures	<u>1,025,911</u>	<u>-</u>	<u>1,025,911</u>
Change in Fund Balances	(16,896)	1	(16,895)
Fund Balances, Beginning of Year	<u>1,609,037</u>	<u>4,646</u>	<u>1,613,683</u>
Fund Balances, End of Year	<u>\$ 1,592,141</u>	<u>\$ 4,647</u>	<u>\$ 1,596,788</u>

The accompanying notes are an integral part  
of these financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

**RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Change in fund balances - total governmental funds	\$ 16,895
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$21,362) exceeded capital outlay (\$0-) in the current period.	(21,363)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment combines the net changes.	
Compensated absences	<u>(2,408)</u>
Change in net position of governmental activities	<u>\$ (6,876)</u>

The accompanying notes are an integral part  
of these financial statements.



**PLANNING AND DEVELOPMENT DISTRICT III**

**COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
DECEMBER 31, 2013**

	<u>Areawide Business Council, Inc.</u>	<u>PrairieLand Housing Development</u>	<u>Total Component Units</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 702,573	\$ 9,711	\$ 712,284
Certificates of deposit	935,678	-	935,678
Accounts receivable, less allowance of \$-0-	-	-	-
Due from other governments	-	-	-
Accrued interest receivable	12,255	-	12,255
Inventory:			
House for sale	-	109,100	109,100
Prepaid expense	1,810	234	2,044
Notes receivable, net of allowance for loan losses of \$426,493	3,471,266	-	3,471,266
Assets held for others:			
Cash	41,472	-	41,472
Certificates of deposit	20,541	-	20,541
Accrued interest receivable	31	-	31
Notes receivable, net of allowance for loan losses of \$8.376	<u>1,860</u>	<u>-</u>	<u>1,860</u>
Total Assets	<u>5,187,486</u>	<u>119,045</u>	<u>5,306,531</u>
<b>Liabilities</b>			
Accounts payable	530	1,384	1,914
Due to primary government	14,960	-	14,960
Accrued interest expense	3,614	-	3,614
Revenue received in advance - rent	-	7,460	7,460
Assets held for others	63,904	-	63,904
Notes payable	<u>1,898,596</u>	<u>88,250</u>	<u>1,986,846</u>
Total Liabilities	<u>1,981,604</u>	<u>97,094</u>	<u>2,078,698</u>
<b>Net Position</b>			
Restricted:			
Debt covenant	109,800	-	109,800
Unrestricted	<u>3,096,082</u>	<u>21,951</u>	<u>3,118,033</u>
Total Net Position	<u>\$ 3,205,882</u>	<u>\$ 21,951</u>	<u>\$ 3,227,833</u>

The accompanying notes are an integral part  
of these financial statements.

**PLANNING AND DEVELOPMENT DISTRICT III**

**COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Areawide Business Council, Inc.</u>	<u>Prairieland Housing Development</u>	<u>Total Component Units</u>
<b>Operating Revenues</b>			
Interest income - loans	\$ 177,340	\$ -	\$ 177,340
Contributions	<u>23,487</u>	<u>-</u>	<u>23,487</u>
Total Operating Revenues	<u>200,827</u>	<u>-</u>	<u>200,827</u>
<b>Operating expenses</b>			
Payments to primary government	57,778	-	57,778
Provision for loan loss	(25,950)	-	(25,950)
Insurance	9,064	1,866	10,930
Professional fees	7,532	-	7,532
Contract services	3,409	-	3,409
Honorariums	2,450	-	2,450
Miscellaneous	6,637	-	6,637
Travel	582	-	582
Real estate taxes	<u>-</u>	<u>1,384</u>	<u>1,384</u>
Total Operating Expenses	<u>61,502</u>	<u>3,250</u>	<u>64,752</u>
Operating income (loss)	<u>139,325</u>	<u>(3,250)</u>	<u>136,075</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense	(15,336)	-	(15,336)
Interest income - savings	4,358	-	4,358
Rent income	<u>-</u>	<u>1,822</u>	<u>1,822</u>
Total Nonoperating Revenues (Expenses)	<u>(10,978)</u>	<u>1,822</u>	<u>(9,156)</u>
Change in net position	128,347	(1,428)	126,919
Net Position, beginning of year	<u>3,077,535</u>	<u>23,379</u>	<u>3,100,914</u>
Net Position, end of year	<u>\$ 3,205,882</u>	<u>\$ 21,951</u>	<u>\$ 3,227,833</u>

The accompanying notes are an integral part  
of these financial statements.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Financial Reporting Entity**

Planning And Development District III (the District) is a single purpose government district established by an Executive Order of the Office of the Governor of the State of South Dakota and is governed by an elected eight-member executive board. As required by generally accepted accounting principles, these financial statements present the District (the primary government) which includes all the funds and its component units. The component units are included in the District's reporting entity because of the significance of their operational and financial relationship with the District.

The District is primarily provides technical assistance and planning in the economic development of counties, cities and towns within its district.

The component unit column in the financial statements includes the financial data of the District's component units. Areawide Business Council, Inc. (ABC), a non-profit organization, and Prairieland Housing Development (PHD), a non-profit organization, are reported in a separate column to emphasize that they are legally separate from the District.

ABC was established to promote and assist the growth and development of business and industrial opportunity by use of a revolving loan program as a long-term capital lender in fourteen designated counties in South Dakota.

- a. The Revolving Loan Fund program is subject to the rules and regulations of the Department of Commerce, which includes the provision, that a non-funded allowance for loan losses is permitted.
- b. The Intermediary Relending Program is subject to the rules and regulations of the Department of Agriculture, which include the provision, that an allowance for loan losses is permitted. An allowance for loan losses is initially set at 4.5 percent of the original loan balance.

PHD was incorporated in 2004, as an entity to assist in providing affordable housing in small towns in the District's service area. The housing will be sold to persons meeting the income and asset limits set by the South Dakota Housing Development Authority.

The component units do not issue separate financial statements.

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation**

###### *Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between the primary government and discretely presented component units. The primary government consists solely of governmental activities generally are financed through intergovernmental revenues and other non exchange transactions

The Statement of Net Position reports all financial and capital resources in a net position form. Net position is displayed in three components, as applicable, net investment in capital assets, restricted and unrestricted.

The Statement of Activities presents the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements:* Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The District presently has no proprietary or fiduciary funds.

The District has determined that both government funds will always be considered to be major funds and reports them as follows:

General Fund – The General Fund is the main operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of South Dakota and the bylaws of the District.

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Basis of Presentation, continued**

Economic Development Fund – This Special Revenue Fund accounts for revenue derived from grants and contributions that are used to promote economic development in the District. The Special Revenue Fund is considered a major fund for reporting purposes.

##### **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

##### **Measurement Focus:**

###### *Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both the governmental and component unit activities are presented using the economic resources measurement focus applied on the accrual basis of accounting.

###### *Fund Financial Statements:*

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the component unit types.

##### **Basis of Accounting:**

###### *Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, governmental activities and component units are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when occur (usually when the right to receive cash vests).

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Measurement Focus and Basis of Accounting, continued**

###### *Fund Financial Statements:*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. A 60 day availability period is used for recognition of governmental fund revenues. The revenues which are accrued at December 31, 2013, consist primarily of grants receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported revenue received in advance or deferred inflows of financial resources are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

##### **Deposits and Investments**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash or cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SSCL) 4-5-6.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Notes Receivable**

Notes receivable in the component unit consist of revolving loan funds that are generally not expected or scheduled to be collected in the subsequent year.

##### **Allowance for Loan Losses**

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

##### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### **Capital Assets**

Capital assets include land, buildings, vehicles and equipment that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether they are reported in the government-wide or fund financial statements.

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Capital Assets, continued**

###### *Government-Wide Statements:*

All capital assets are valued at cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	20-40
Equipment	\$ 5,000	Straight-line	3-15
Vehicles	\$ 5,000	Straight-line	3-5

###### *Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. No depreciation expense is recognized.

##### **Long-Term Liabilities**

The accounting treatment for long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities of the primary government consist primarily of compensated absences.

Long-term liabilities for the governmental fund are not reported as liabilities in the fund financial statements.



## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. Full time permanent employees and part-time permanent employees working 20 hours or more per week are granted vacation benefits in prorated amounts to specified maximums. Sick leave accrues to full-time, permanent employees and part time permanent employees working 20 hours or more per week to specified maximums. Employees are entitled to all accrued vacation leave upon termination. Employees will not receive monetary compensation for accrued sick leave upon termination.

All compensated absences of the District are considered current liabilities.

##### **Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

##### **Program Revenues**

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Program Revenues, continued**

1. Charges for services - member dues - All member governments are required to pay dues to the District in order to belong to the organization and receive membership services. Dues are determined by census results and are recognized as revenues in the period they are due.
2. Charges for services - other contract revenues - These are program specific operating grants and contracts from other than federal sources.
3. Federal grants and contracts - These are program specific operating grants arising from mandatory and voluntary non-exchange transactions with other governments which fund the District's programs. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the providers have been met. Such revenue is subject to review by the funding agency. Minor adjustments may result in subsequent periods.

##### *Government-wide Statements:*

Equity is classified as net assets and is displayed in three components:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "invested in capital assets."

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Fund Balance Classification Policies and Procedures, continued**

###### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned and Unassigned components.

##### **Application of Net Position**

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

##### **Fund Balance Classification Policies and Procedures**

In accordance with Government Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Fund Balance Classification Policies and Procedures, continued**

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

##### **Income Taxes - Component Units**

Areawide Business Council, Inc. and Prairieland Housing Development are exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is made in these financial statements.

Areawide Business Council, Inc. and Prairieland Housing Development's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2011 and 2008 are subject to examination by the IRS, generally for three years after they were filed.

The District employs the use of an indirect cost plan. Allowable indirect costs were 65% of direct labor, allowable fringe benefit rate was 30% of direct labor and allowable indirect facility costs were 5% of direct labor for 2013. Direct costs are charged against each project as costs are paid. A new indirect cost plan is prepared annually. Costs benefiting future periods are capitalized and amortized to expense utilizing the indirect cost plan. Indirect costs are applied ratably to all activities of the District.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Budgets and Budgetary Accounting**

The District is not legally required to adopt a budget; therefore it is not required to present a budgetary comparison for the general and special revenue fund as required supplementary information.

#### **2. DEPOSITS AND INVESTMENTS**

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** - Deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

**Investments** - In general, SDCL 4-5-6 permits funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Investments** - As of December 31, 2013, the District and component units had no investments.

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 2. DEPOSITS AND INVESTMENTS, continued

**Custodial Credit Risk - Deposits - Primary Government** - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District has an investment policy, but it does not address custodial credit risk. As of December 31, 2013, the District's deposits were fully insured or collateralized in local banks.

**Custodial Credit Risk – Deposits – Component Units** – The risk that, in the event of a depository failure, the Component Unit's deposits may not be returned to it. The component units have an investment policy, but it does not address custodial credit risk. As of December 31, 2013, the component units' deposits were fully insured or collateralized in local banks. The component units have \$95,000 in a brokered certificate of deposit placed with an investment dealer. It is considered to be fully insured; however, it is held in brokerage accounts and not in safekeeping. Thus, this certificate is subject to custodial credit risk.

**Authorized Investments** - The District has adopted an investment policy but it does not further limit investments beyond those imposed by statutes. As of December 31, 2013, the District had no investments.

**Interest Rate Risk** - The District has an investment policy, but it does not limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2013, the District had no investments.

**Credit Risk** - State law limits eligible investments of the District, as discussed above. The District has an investment policy but it does not further limit its investment choices. As of December 31, 2013, they had no investments.

**Concentration of Credit Risk** - The District's investment policy places no limit on the amount that may be invested in any one issuer. As of December 31, 2013, the District's had no investments.

#### 3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements.

Receivables are primarily due from various programs. Management anticipates all short-term receivables to be collected within one year, therefore, no allowance for doubtful accounts has been provided for these receivables.

**PLANNING AND DEVELOPMENT DISTRICT III**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**DECEMBER 31, 2013**

4. **NOTES RECEIVABLE**

**Primary Government**

The following is a summary of note receivable to the primary government:

Note receivable – Component Unit	<u>\$ 64,450</u>
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The following are maturities of long-term note receivable for the primary government:

2013	\$ 12,890
2014	12,890
2015	12,890
2016	12,890
Thereafter	<u>12,890</u>
	<u>\$ 64,450</u>

**Component Unit (ABC)**

The following is a summary of the notes receivable for the component unit:

Revolving Loan Fund – EDA	\$ 2,109,595
Intermediary Relending Program	1,635,792
Revolving Loan Fund	<u>153,372</u>
	3,898,759
Less: Allowance for Loan Losses	
Revolving Loan Fund – EDA	( 242,695)
Intermediary Relending Program	( 109,800)
Revolving Loan Fund	<u>( 73,998)</u>
	<u>\$ 3,472,266</u>

The following are maturities of long-term notes receivable for the component unit:

2014	\$ 1,000,283
2015	710,984
2016	466,407
2017	466,795
Thereafter	<u>1,253,290</u>
	<u>\$ 3,897,759</u>

# **PLANNING AND DEVELOPMENT DISTRICT III**

## **NOTES TO FINANCIAL STATEMENTS – continued** **DECEMBER 31, 2013**

### **4. NOTES RECEIVABLE, continued**

An analysis of the change in the allowance for loan losses for the component unit is as follows:

Beginning balance	\$ 452,443
Provision for loan losses	( 25,950)
Recoveries	-
Loans charged off	<u>-</u>
	<u><u>\$ 426,493</u></u>

### **5. PROMISE TO GIVE**

The District received a conditional promise to give cash with an outstanding balance of \$340,000 at December 31, 2013. This contribution is to be used as a regional revolving loan fund that will be administered by the District's component unit, ABC. The cash received in the fiscal year ended December 31, 2013 was \$20,000, which was passed through to ABC.

Promise receivable in less than one year	\$ 20,000
Promise receivable in one to five years	100,000
Promise receivable in more than five years	220,000
Less allowance for uncollectible promise receivable	<u>-</u>
	<u><u>\$ 340,000</u></u>

### **6. CHANGES IN CAPITAL ASSETS**

#### ***Primary Government***

A summary of changes in the primary government's capital assets is as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 24,189	\$ -	\$ -	\$ 24,189
Total capital assets not being depreciated	<u>24,189</u>	<u>-</u>	<u>-</u>	<u>24,189</u>



# **PLANNING AND DEVELOPMENT DISTRICT III**

## **NOTES TO FINANCIAL STATEMENTS – continued** **DECEMBER 31, 2013**

### **6. CHANGES IN CAPITAL ASSETS, continued**

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	193,210	-	-	193,210
Equipment	106,158	-	-	106,158
Vehicles	79,286	-	-	79,286
Total capital assets being depreciated	<u>378,654</u>	<u>-</u>	<u>-</u>	<u>378,654</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	34,343	11,237	-	45,580
Equipment	104,672	142	-	104,814
Equipment	69,301	9,984	-	79,285
Total capital assets being depreciated	<u>208,316</u>	<u>21,363</u>	<u>-</u>	<u>229,679</u>
Total capital assets being depreciated, net	<u>170,338</u>	<u>(21,363)</u>	<u>-</u>	<u>148,975</u>
Governmental activities capital assets, net	<u>\$ 194,527</u>	<u>\$ (21,363)</u>	<u>\$ -</u>	<u>\$ 173,164</u>

Depreciation expense of \$21,363 was all charged to general government.

### **Component Units**

The component units do not report any capital assets.

### **7. LEASE COMMITMENTS**

Operating lease obligations are primarily for rental of office equipment. Lease expenses for the year were \$8,762.

Future minimum lease payments required by the primary government for non-cancellable operating leases are:

2014	\$ 8,826
2015	8,826
2016	8,826
2017	2,172
2018	2,172
2019	<u>544</u>
	<u>\$ 31,366</u>

**PLANNING AND DEVELOPMENT DISTRICT III**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**DECEMBER 31, 2013**

**8. LONG-TERM LIABILITIES**

**Primary Government:**

A summary of changes in the primary government's long-term liabilities is as follows:

<b>Primary Government</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Compensated absences	\$ 34,750	\$ 37,158	\$ (34,750)	\$ 37,158	\$ 37,158
<b>Total</b>	<u>\$ 34,750</u>	<u>\$ 37,158</u>	<u>\$ (34,750)</u>	<u>\$ 37,158</u>	<u>\$ 37,158</u>

**Component Units:**

A summary of changes in the component unit's long-term liabilities is as follows:

<b>Component Units</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$2,175,069	\$ -	\$ (188,223)	\$1,986,846	\$ 277,108
<b>Total</b>	<u>\$2,175,069</u>	<u>\$ -</u>	<u>\$ (188,223)</u>	<u>\$1,986,846</u>	<u>\$ 277,108</u>

The component units' notes payable, as of December 31, 2013, are comprised of the following:

\$375,000 - Intermediary Relending Program # 1, Dated August 1, 2000, 30 year term; 1.00% interest rate, annual payments; Secured by notes receivable and reserves.	\$ 247,423
\$750,000 - Intermediary Relending Program # 2, Dated October 14, 2003, 30 year term; 1.00% interest rate, annual payments; Secured by notes receivable and reserves.	574,437
\$750,000 - Intermediary Relending Program # 3, Dated October 16, 2006, 30 year term; 1.00% interest rate, annual payments; Secured by notes receivable and reserves.	651,175

# **PLANNING AND DEVELOPMENT DISTRICT III**

## **NOTES TO FINANCIAL STATEMENTS – continued** **DECEMBER 31, 2013**

### **8. LONG-TERM LIABILITIES, continued**

\$300,000 – East River Electric Dated February 20, 2007, 9 year term; 0.00% interest rate, monthly payments; Secured by notes receivable.	108,333
\$700,000 – East River Electric Dated February 20, 2007, 9 year term; 0.00% interest rate, monthly payments; Secured by notes receivable.	252,778
\$128,900 – Primary Government Dated June 5, 2008, 10 year term; 0.00% interest rate, annual payments; Unsecured.	<u>64,450</u>
Subtotal – Component Unit (ABC)	<u>1,898,596</u>
\$726,540 – Primary Government Dated June 13, 2005, Open End; 0.00% interest rate, annual payments; Secured by Real Estate in Inventory.	<u>88,250</u>
Total Notes Payable – Component Units	<u>\$ 1,986,846</u>

Debt service requirements on notes payable for the component units, as of December 31, 2013, is as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 277,108	\$ 14,731	\$ 291,839
2015	189,506	14,082	203,588
2016	190,161	13,427	203,588
2017	107,489	12,766	120,255
2018	80,380	12,097	92,477
2019 - 2023	347,709	51,572	399,281
2024 - 2028	365,446	33,903	399,349
2029 - 2033	335,442	15,734	351,176
2034 - 2038	<u>93,605</u>	<u>3,121</u>	<u>96,726</u>
	<u>\$1,986,846</u>	<u>\$ 171,433</u>	<u>\$2,158,279</u>

## PLANNING AND DEVELOPMENT DISTRICT III

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013

#### 8. LONG-TERM LIABILITIES, continued

The component unit (ABC) has restricted cash balances totaling \$109,800 for the year ended December 31, 2013, as a Loan Reserve. The Department of Agriculture Intermediary Relending Program (IRP) requires a reserve for loan loss of 4.5% on the outstanding IRP loan balance.

#### 9. RESTRICTED NET POSITION

The following table describes net position restrictions:

<u>Description</u>	<u>Restricted By</u>	<u>Amount</u>
Insurance deposit	SDPAA Reserve	\$ 9,707
Regional loan fund	Donor	<u>340,000</u>
Subtotal – Primary Government		<u>349,704</u>
IRP Reserve - ABC	Debt Covenant	<u>109,800</u>
Total Restricted Net Position		<u>\$ 459,504</u>

#### 10. RETIREMENT PLAN

All employees, except for part-time employees who work less than twenty hours per week and temporary employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited services. Authority for establishing, administering and amending plan provisions are found in South Dakota codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **10. RETIREMENT PLAN, continued**

General employees are required by state statute to contribute 6.0% at their salary to the plan, while public safety and judicial employees contribute at 8.0% and 9.0% respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012, and 2011, were \$39,408, \$38,290 and \$36,834, respectively, equal to the required contributions each year.

#### **11. COMMITMENTS AND CONTINGENCIES**

##### **Grant Programs**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at

December 31, 2013 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

#### **12. RELATED PARTY TRANSACTIONS**

Operating income for the District includes fees of \$57,778 received from its component unit, Areawide Business Council, Inc.

Operating income for the Areawide Business Council, Inc. includes contributions from the District of \$3,487.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2013, the District managed its risks as follows:

##### **Employee Health Insurance**

The District purchases health insurance from a commercial insurance carrier.

##### **Liability Insurance**

The District purchases insurance coverage for its buildings and contents from a commercial insurance carrier. The deductible for this coverage varies from \$250 to \$1,000.

The District joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the District. The District pays an annual premium to the pool to provide coverage for general liability, auto liability and damage, and errors and omissions of public officials.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The District carries a \$500 deductible for the official liability. The remaining coverage's are \$-0- deductible.

A portion of the member premiums is also allocated to a cumulative reserve fund. After six years, the fund is fully vested and the District would be eligible to receive a refund for the full vested amount.

## **PLANNING AND DEVELOPMENT DISTRICT III**

### **NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2013**

#### **13. RISK MANAGEMENT, continued**

##### **Liability Insurance, continued**

As of December 31, 2013, the District has a fully vested balance in the cumulative reserve fund of \$9,704.

The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### **Worker's Compensation**

The District joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium, to provide worker's compensation coverage to its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date to the Fund Members. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

##### **Unemployment Benefits**

The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

## SUPPLEMENTARY INFORMATION



**PLANNING AND DEVELOPMENT DISTRICT III**

**SCHEDULE OF INDIRECT COSTS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Indirect Building Costs</b>	
Repairs and maintenance	\$ 6,169
Utilities	5,360
Depreciation	11,378
Insurance	1,259
Supplies	770
Real estate taxes	<u>164</u>
Total Indirect Building Costs	<u>25,100</u>
<b>Indirect Overhead Costs</b>	
Salaries, payroll taxes and benefits	195,764
Supplies and postage	12,366
Travel	9,388
Equipment rent	8,700
Consulting fees	1,131
Insurance	6,823
Professional fees	6,362
Telephone	3,143
Maintenance agreements	7,080
Miscellaneous expense	3,663
Small equipment	5,891
Depreciation	-
Advertising	<u>1,643</u>
Total Indirect Overhead Costs	<u>261,954</u>
Total Indirect Overhead and Building Costs	<u>287,054</u>
<b>Direct Costs</b>	
Programs	592,063
Fringe benefits	<u>150,565</u>
Total Direct Costs	<u>742,628</u>
<b>Pass-Through Grants</b>	
Grant to Subrecipient - component unit	<u>20,000</u>
Total Expenses - Statement of Activities	<u>\$ 1,049,682</u>

See Independent Auditor's Report

**PLANNING AND DEVELOPMENT DISTRICT III**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - PAGE 1 OF 2  
DECEMBER 31, 2013

FEDERAL FUNDING/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass-Through Entity Identifying Number	Expenditures/Disbursements		
			Direct	Pass Through	Total
<b>Primary Government:</b>					
<u>U.S Department of Agriculture</u>					
Direct Funding:					
Rural Housing Service - Rural Community Development Initiative	10.446		\$ 60,706	\$ -	\$ 60,706
<u>U.S Department of Commerce</u>					
Direct Funding:					
Economic Development - Support for Planning Organizations EDA	11.302		56,700	-	56,700
<u>Small Business Administration</u>					
Passed through the University of South Dakota: Small Business Development Center	59.037	USD-1213	-	65,000	65,000
<u>U.S. Department of Defense</u>					
Passed through the University of South Dakota: Procurement Technical Assistance for Business Firms	12.002	USD-1207	-	40,039	40,039
Total Federal Funding - Primary Government			117,406	105,039	222,445
<b>Component Unit:</b>					
<u>U.S Department of Agriculture</u>					
Direct Funding:					
Intermediary Relending Program (Note 2)	10.767		1,537,257	-	1,537,257
<u>U.S Department of Commerce</u>					
Direct Funding:					
Economic Adjustment Assistance (Title IX Revolving Loan Program) (Note 3)	11.307		2,091,713	-	2,091,713
Total Federal Funding - Component Unit			3,628,970	-	3,628,970
Total Federal Funding			\$ 3,746,376	\$ 105,039	\$ 3,851,415

See independent Auditor's Report

**PLANNING AND DEVELOPMENT DISTRICT III**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - PAGE 2 OF 2  
DECEMBER 31, 2013**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1:**

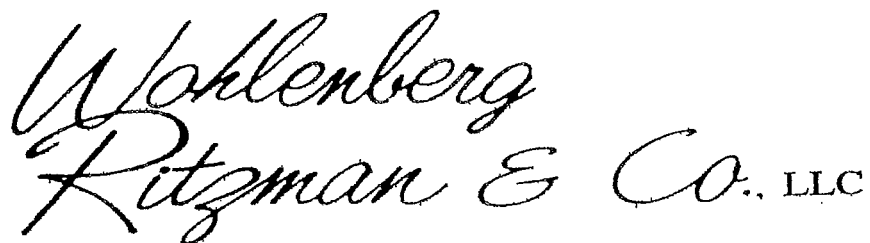
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government and component unit and is presented on the accrual basis of accounting unless otherwise noted. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements

**Note 2:**

The District had the following loan balance outstanding at December 31, 2013. The loan balance outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>	<u>Included as Federal Expenditure on this Schedule</u>	
Intermediary Relending Program	10.767	<u>\$ 1,473,035</u>	<u>\$ 1,537,257</u>	
	<u>Regular EDA Funded Grant</u>	<u>Flood EDA Funded Grant</u>	<u>Recovery EDA Funded Grant</u>	<u>Total</u>
Balances of notes receivable at December 31, 2013	\$ 972,545	\$ 214,044	\$ 923,006	\$ 2,109,595
Cash balance at December 31, 2013	397,556	33,969	148,415	579,940
Administration expenses paid during fiscal year 2013	22,909	4,651	21,324	48,884
Balance of loans written off - current year	-	-	-	-
Total expenditures	<u>1,393,010</u>	<u>252,664</u>	<u>1,092,745</u>	<u>2,738,419</u>
Federal Share	<u>75.00</u>	<u>90.00%</u>	<u>75.00%</u>	<u>76.3799%</u>
Total Federal Expenditures	<u>\$ 1,044,757</u>	<u>\$ 227,398</u>	<u>\$ 819,558</u>	<u>\$ 2,091,713</u>

See independent Auditor's Report



*certified public accountants*

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors  
Planning and Development District III  
Yankton, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Planning and Development District III (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 16, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

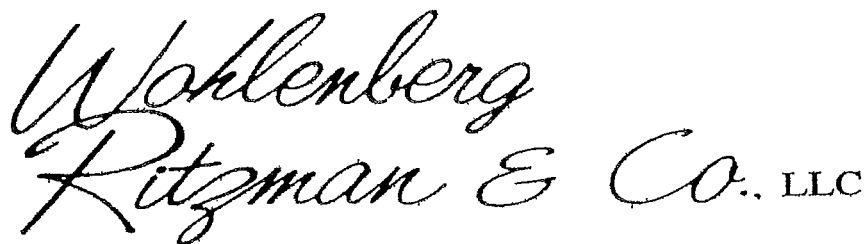
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
June 16, 2014



*certified public accountants*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Planning and Development District III  
Yankton, South Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Planning & Development District III's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2013. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance in accordance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of Planning & Development III is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
June 16, 2014



**PLANNING AND DEVELOPMENT DISTRICT III**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION II. FINDINGS - FINANCIAL STATEMENTS**

None reported.

**SECTION III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD  
PROGRAMS**

None reported.

**PLANNING AND DEVELOPMENT DISTRICT III**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes X no
- Significant deficiencies identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes X no
- Significant deficiencies identified? \_\_\_\_\_ yes X none reported

Type of auditor's report issued on  
compliance for major programs Unmodified

Audit findings disclosed that are required to  
be reported in accordance with Section  
510(a) of OMB Circular A-133 \_\_\_\_\_ yes X no

Identification of major programs:

CFDA Numbers  
11.307

Name of Federal Program or Cluster  
Economic Adjustment Assistance –  
Title IX Revolving Loan Fund

Dollar Threshold used to distinguish  
between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

**PLANNING AND DEVELOPMENT DISTRICT III**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS - continued  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION II. FINDINGS - FINANCIAL STATEMENTS**

There are no financial statement audit findings reported.

**SECTION III. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS**

There are no major federal award program findings reported.